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October 2, 2007

BY E-FILE

The Honorable Joseph J. Farnan, Jr.
 U.S. District Court for the District of Delaware
 844 North King Street
 Wilmington, DE 19801

Re: MBIA Insurance Corp. and Wells Fargo Bank, N.A. v.
 Royal Indemnity Company, C.A. No. 02-1294 (JJF)

Charles A. Stanziale, Jr., Chapter 7 Trustee of Student
 Financial Corporation vs. Pepper Hamilton LLP, et al.,
 C.A. No. 04-1551 (JJF)

Dear Judge Farnan:

We write on behalf of Wells Fargo to respond to Royal's letter today which argues that the SFC Bankruptcy Trustee's claim against Gagne and the Bast family should be tried together with Royal's claim against Wells Fargo. Royal claims that efficiencies would result but the only consequence of combining these unrelated cases would be confusion, unneeded expense to the parties, and delay.

First, the Trustee's claim is a jury case and Royal's claim is not. We ought not have to be present during jury selection and other proceedings that do not concern us. The jury ought not have to be present during weeks of evidence that do not pertain to the case it will consider.

Second, Royal describes the Trustee's case as presenting fraudulent conveyance and preference claims. It describes its claim against Wells Fargo as breach of contract claims. One

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The Honorable Joseph J. Farnan, Jr.

October 2, 2007

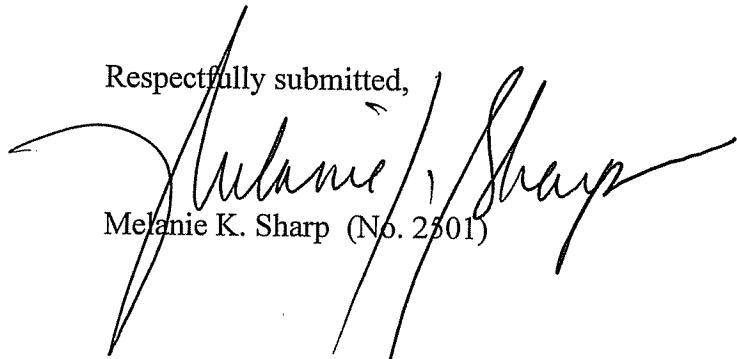
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would not expect much overlap between the legal and factual issues in two such cases and in fact--apart from some general background--there is none.

Royal and the Trustee have submitted three witness lists, consisting of eighteen witnesses solely on the Trustee's claims, including five experts; and fifteen witnesses solely on Royal's claims, including four experts. Royal's assertion that all the parties in both cases and a jury should participate in a single trial at which all 33 of these witnesses testify is a proposition that only needs to be stated and it refutes itself. Royal and the Trustee have identified another nineteen witnesses they claim are common to both cases. If this is true, it does not change the fact that they will testify to different matters in the two cases and so will not be substantially inconvenienced by testifying twice. (We note as well that Royal says it and the Trustee can present their two cases in a total of 30 hours. Considering that they identify a combined total of 52 witnesses, this seems highly unlikely, and perhaps many of the so-called "common witnesses" will fall away at trial.)

In sum, we do not believe a combined trial in these circumstances makes any sense at all and we look forward to the opportunity to address these issues further at the conference tomorrow.

Respectfully submitted,


Melanie K. Sharp (No. 2801)

cc: Clerk of the Court (by Hand Delivery)
Tiffany Geyer Lydon, Esquire (by e-mail)
Steve Merouse, Esquire (by e-mail)
Neil G. Epstein, Esquire (by e-mail)
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